

OFFICIAL FILE**AT&T**

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RECEIVED**FEB - 7 1997****TN REGULATORY AUTHORITY
UTILITY RATE DIVISION**

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37201

AT&T does not object to the mechanical or procedural aspects of United's dialing parity plan. However, AT&T is very concerned about the cost recovery component of United's dialing parity plan. AT&T is concerned because the issue of cost recovery was never raised during the hearing in this proceeding, and because of the manner in which United proposes to recover its costs for implementing its dialing parity plan. For these reasons, AT&T does not believe it is appropriate for the TRA in this proceeding to agree to the cost recovery component of United's dialing parity plan.

Procedurally, AT&T is concerned that cost recovery has not been addressed in this proceeding. United made no arguments and presented no evidence to the TRA concerning cost recovery during the hearing in this proceeding. The sole issue in this proceeding was whether United should be required to implement dialing parity as a condition to receiving its interLATA certificate of authority.

United never addressed the issue of cost recovery until it submitted its dialing parity plan to the TRA--well after the hearing had concluded. Thus, AT&T never had an opportunity to address United's cost recovery proposal, and the TRA has no evidentiary basis upon which to render a decision as to United's cost recovery proposal. Moreover, United's proposal will affect more than just AT&T, and no other party has had an opportunity to address United's cost recovery proposal. For this reason, AT&T believes it is inappropriate for the TRA in this proceeding to approve the cost recovery component of United's dialing parity plan.

AT&T also has several substantive concerns with the cost recovery component of United's dialing parity plan. AT&T agrees that the implementation costs for 1+ intraLATA pre-subscription should be spread across appropriate providers in a competitively neutral manner. This is in accordance with the FCC's language, and makes sense from the view of promoting competition. AT&T, however, believes that once the costs of implementing 1+ pre-subscription have been identified, those costs should be allocated to carriers based on relative shares of total originating intraLATA minutes of use subject to 1+ pre-subscription. This is not the manner of allocation proposed by United.

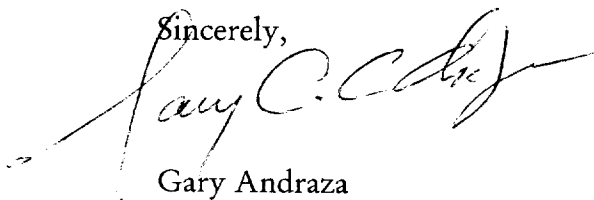
AT&T also is concerned that, in its calculation of the per minute recovery charge, United has reduced the intraLATA minutes it included for itself based on its analysis of expected losses from competition. It is unknown at this point the extent to which United reduced its minutes for the two-year forecast period, or how United has allocated minutes to other competing carriers. In general, AT&T is concerned about the manner in which United has forecasted its minutes of use.

Finally, AT&T is concerned about the manner in which United has calculated its costs to implement 1+ pre-subscription. AT&T believes that only those incremental costs directly associated with the introduction of 1+ pre-subscription should be recovered by United. However, AT&T is unable to verify the software expenses and other expenses associated with implementation compiled by United in its one-page summary of expenses. For example, software expenditures should only include those expenses necessary for implementation of 1+ intraLATA and should not include any other central office upgrades; and while marketing expenses should include training in the ability to inform consumers of the various choices for their intraLATA service, they should not include the promotion of United's service in preference to other competitors.

Thus, for all of the above reasons, AT&T does not believe it is appropriate for the TRA to approve the cost recovery component of United's dialing parity plan. AT&T does not object to the other aspects of United's dialing parity plan, which appear to conform to the TRA's Order in this proceeding.

If you have any additional questions, please feel free to call me.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary C. Andraza", written over the word "Sincerely,".

Gary Andraza